

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on March 15, 2004, in Room 519-S of the Capitol.

All members were present except:

Senator Phillip Journey- excused

Committee staff present:

Chris Courtwright, Legislative Research Department

Martha Dorsey, Legislative Research Department

Gordon Self, Revisor of Statutes Office

Shirley Higgins, Committee Secretary

Conferees appearing before the committee:

Senator Dwayne Umbarger

Jim Jones

Freda Culver

Aaron Williams

Rod Edmondson

Mark Beck, Director of Property Valuation

Others attending:

See Attached List.

SCR 1620—Constitutional amendment requiring legislature to limit valuation increases on residential real property

Senator Dwayne Umbarger explained that he recently attended a well-attended town hall meeting in Columbus which is located in Cherokee County. The concerns expressed at the meeting centered around increases in residential property valuations, some of which went up as much as 60% in one year. Therefore, he felt compelled to introduce **SCR 1620** in order to give his constituents an opportunity to come to Topeka and express their concerns to the legislature. He introduced Jim Jones of Wier, Kansas, who testified in support of the concept of **SCR 1620**.

Mr. Jones suggested that appraisers be audited when examples of abuse, such as those found in Cherokee County, are found. He noted that many residents of Cherokee County are angered by the appraiser's abuse to the point that they are ready to delay paying their taxes. Among several things he offered to improve the situation, he proposed that, when there are no major improvements in the property, a tax increase be limited to the level of the government's cost of living index. He also strongly recommended that the entire evaluation process be simplified so that the ordinary citizen can understand it. He noted that, for each appeal filed, there are many others not filed by frail people who will never raise their voice in protest. (Attachment 1) In conclusion, he noted that he wrote a letter to the editor calling for appraisal reform which was published in two newspapers. Subsequently, The *Joplin Globe* and the *Pittsburg Sun* published a full front page article on the issue of dramatic increases in property taxes. As a result, there is a growing awareness of appraiser abuse in Cherokee County.

Senator Corbin called the Committee's attention to written testimony submitted by Lisa Jones, Baxter Springs, in support of **SCR 1620** as a means to eliminate unreasonable property tax increases in Cherokee County. (Attachment 2)

Freda Culver, Riverton, discussed her concerns relating to ever increasing property valuations in Kansas. She explained that she and her husband have been in an appeal process periodically since 1989. She noted that their farmstead value increased 29 ½ % this year. They have become so frustrated that they have considered moving to 25 miles east to Missouri. She supports **SCR 1620** as a tool to limit and/or cap property valuation increases. (Attachment 3)

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Aaron Williams, who lives on a 40 acre farm in rural Cherokee County, informed the Committee that he stated a business in 1993 and worked day and night to fulfill his dream of owning a farm and equipment. Once he owned a farm, his next goal was to build a home for his family. However, due to inflated property appraisals, it was necessary to sell his equipment, downsize his company, and use the money he saved to build a home to pay taxes. He recently found that next year's taxes will again be increased. Mr. Williams complained that, when he confronted the county appraiser about the increase, the appraiser responded with an authoritarian, threatening attitude. Therefore, in his opinion, the appeals process is meaningless at this point. He believes that the only option left is for his family is to move elsewhere. He urged the Committee to help alleviate the property valuation situation in Cherokee County through legislation. (Attachment 4)

Rod Edmondson, Baxter Springs, distributed copies of a chart showing steady increases in his property valuation and taxes from 1992 through 2003. (Attachment 5) At the outset, he explained that he is the Municipal Court Clerk for the City of Baxter Springs, and his wife is an elementary teacher. Both he and his wife were born in Baxter Springs, and his family roots are in Cherokee County. He went on to say that he purchased his three bedroom, ranch style home in 1994, and no improvements have been made. In 1994, the valuation was \$62,600.00. By 2002, the valuation was \$93,300.00, and taxes were \$1,089.70. In 2003, the valuation drastically increased to \$119,400.00 after appeal, and taxes increased to \$1,483.28. He noted that a real estate agent in Baxter Springs told him that his home could not be sold for the appraised value because the market is not there. He noted that Baxter Springs is within a mile from the Oklahoma boarder and within five miles from the Missouri boarder. He has friends and relatives in both of those states whose property taxes are substantially lower than property taxes in Baxter Springs. He contended that Baxter Springs will continue to lose businesses unless the legislature acts to correct continuing escalation of taxes. In conclusion, Mr. Edmondson commented that a train wreck is headed towards Baxter Springs if something is not done to stop unreasonable increases in property valuation.

Senator Lee asked Mr. Edmondson if any type of growth in housing or businesses has recently developed in the Baxter Springs area. Mr. Edmonson said there have been no new developments, and he also confirmed that both the mill levy and valuation have increased. For his information, Senator Lee suggested that he obtain a copy of the Department of Revenue's last annual cost ratio study, which would indicate if the assessed value of his property is within the range is supposed to be. Senator Umbarger commented that some of the input he heard at the Columbus town hall meeting was that the Cherokee County Appraiser takes into consideration the fact that a person lives in Kansas and works nearby in Missouri when determining the valuation of property, using the job opportunity in Missouri as a nexus for the valuation. Senator Lee commented that this practice would not be allowed under the statute dealing with valuation and suggested that Senator Umbarger obtain further information on the alleged practice from the Cherokee County Appraiser.

Senator Corbin called upon Mark Beck, Director of Property Valuation, to comment on appraisals in Cherokee County. In response, Mr. Beck said that he came prepared to talk about the concept of **SCR 1620** and had no specific examples of what is happening with appraisals in Cherokee County with him or data on the number of appeals filed in Cherokee County. He agreed to provide all available information on valuations in Cherokee County at a future meeting.

Mr. Beck testified in opposition to **SCR 1620**, explaining that it destroys Kansas' long-standing practice of applying a uniform standard for valuing all real property. He explained, even though the current system is not perfect, it assures that some homeowners are not systematically benefitted at the expense of others, particularly those who own less desirable homes. He noted that, in addition to property tax shifts within the residential subclass, limiting valuation increases on houses will shift some of the tax burden from the residential subclass to other subclasses, thus, other subclasses will carry more of the property tax burden. Furthermore, the proposed concept will limit the growth in revenue generated from the state 20 mill levy for schools, and it will affect the treatment of manufactured housing or mobile homes. (Attachment 6)

For the Committee's information, Mr. Beck called distributed copies of a table on current year valuation growth (Attachment 7). He noted that figures on the table account for approximately 92% of the tax base. He explained that the concept in **SCR 1620** to suppress residential assessed value will result in a shift taxes to C&I, utilities and ag land because it does not simply go away. He explained further that residential makes up the majority of tax value no matter what, and commercial property, ag land, and utilities do not increase

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at the same rate as residential. He went on to say that, due to the low interest rates, people are buying “more house” than they normally would. Therefore, there is a growth rate in residential valuations not seen in other areas. He reiterated that, although the concept in **SCR 1620** attempts to suppress the residential growth rate, it does not just go away; it simply “slides out” to another area.

Mr. Beck distributed a handout concerning the concept of annually identifying market value but limiting the increases in the value of real property to no more than the increase in the Consumer Price Index. For illustration purposes, he used the Consumer Price Index for all Urban Consumers (CPI-U) for the Kansas City area acquired from the U.S. Department of Labor. (Attachment 8) Samples included in the handout are properties from Johnson and Wyandotte counties. The examples given make the assumption that any property value decreasing will not be limited by the defined percentage. Mr. Beck pointed out that the annual valuation procedure has certain spikes, either up or down, depending on the market conditions. In addition, he noted that the use of the CPI-U limit increases tends to reduce the severity of any yearly market increases, and the neighborhoods that are experiencing substantial growth benefit more from the use of an index than do properties in stable or declining neighborhoods.

To illustrate the shift in residential property valuation growth, Mr. Beck distributed copies of the following reports dated November 2003: Valuation Growth Analysis (Attachment 9), Valuation Growth Analysis for Real Property by Subclass (Attachment 10), and Valuation Growth Analysis for Residential Land and Improvements (Attachment 11). He called attention to data relating to Cherokee County. He noted that the report one follows through to report two and discussed the totals shown for columns with the heading “Res. Land and Bldg. Change” and “Percent of Growth.”

There being no further time, the hearing on **SCR 1620** was continued to March 17.

The meeting was adjourned at 11:55 a.m.

The next meeting is scheduled for March 16, 2003.